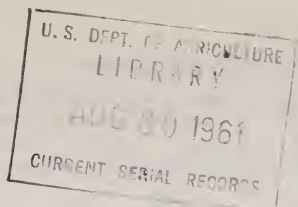


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AUGUST 1961

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THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS

GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

CURRENT COMMODITY SITUATION

Published monthly by
**ECONOMIC RESEARCH
SERVICE**
U. S. DEPARTMENT OF
AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960			1961		
		Year	July	Apr.	May	June	July
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	110	105	108	110	112
Final products	do.	111	112	109	111	113	114
Consumer goods	do.	115	116	114	115	118	119
Autos	do.	117	108	92	101	109	110
Equipment, including defense	do.	103	104	100	101	102	104
Materials	do.	106	106	103	106	109	111
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,556	55,750	55,883	55,892	57,771	58,683
Public construction	Mil. dol.	15,953	16,263	16,518	16,286	17,101	17,518
Private residential	Mil. dol.	22,546	22,748	21,421	21,631	22,595	23,080
Housing starts, private only	Thousands	1,252	1,227	1,166	1,291	1,383	1,317
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,417	30,440	30,120	30,780	30,940	
Durable goods	Mil. dol.	14,692	14,730	14,140	14,580	14,720	
Unfilled orders-sales ratio <u>4/</u>		3.17	3.03	3.03	2.92	2.89	
Inventory-sales ratio, total <u>5/</u>		1.77	1.80	1.77	1.73	1.72	
Durable goods		2.10	2.18	2.13	2.07	2.05	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.7	68.7	65.7	66.8	68.7	68.5
Nonagricultural	do.	61.0	61.8	60.7	61.2	62.0	62.0
Unemployment	do.	3.9	4.0	5.0	4.8	5.6	5.1
Workweek in manufacturing	Hours	39.7	39.8	39.3	39.7	40.1	40.0
Hourly earnings in manufacturing	Dollars	2.29	2.29	2.33	2.34	2.35	2.35
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	402.2	404.7	409.8	413.2	416.7	
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,049	53,809	53,972	54,390	54,786	
Automobile	Mil. dol.	17,866	17,893	17,200	17,242	17,358	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,118	17,860	17,995	18,268	18,062
Durable goods	Mil. dol.	5,928	5,662	5,409	5,549	5,599	5,504
Inventory-sales ratio <u>5/</u>		1.39	1.40	1.37	1.36	1.35	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	120	120	119	119	118	119
Commodities other than farm and food	do.	128	128	128	128	127	127
Farm products	do.	89	89	88	87	85	87
Foods processed	do.	108	109	109	108	107	108
Consumer price index, all items	do.	126	127	128	127	128	
Food	do.	120	121	121	121	121	
Prices received by farmers <u>7/</u>	1910-14=100	238	236	239	236	234	237
Crops	do.	221	222	226	230	231	232
Livestock and products	do.	253	249	251	241	236	241
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	298	302	302	300	300
Family living items	do.	290	290	290	291	290	290
Production items	do.	265	263	267	266	265	264
Parity ratio <u>7/</u>		80	79	79	78	78	79
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	133	132	97	105	142	127
Cash receipts from farm marketings	Mil. dol.	34,014	2,738	2,137	2,236	2,447	2,700

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, August 17, 1961

	<u>CONTENTS</u>	
	<u>Page</u>	<u>Page</u>
: Summary.....	3	: Current Commodity Situation cont. :
: Commodity Highlights.....	4	: Crops :
: General Agricultural Situation...	5	: Wheat.....19 :
: Factors Affecting Demand for		: Feed Grains21 :
: Farm Products.....	9	: Oilseeds, Fats and Oils.....22 :
: Current Commodity Situation.....	14	: Fruit23 :
: Livestock and Products		: Commercial Vegetables24 :
: Meat Animals.....	14	: Potatoes and Sweetpotatoes...25 :
: Dairy Products.....	15	: Cotton25 :
: Poultry and Eggs.....	16	: Tobacco27 :
: Wool.....	17	:

SUMMARY

The economic recovery continued into mid-summer and new highs are likely in the nation's output and income for the third quarter. There are some signs that the pace slowed a bit from the sharp rate of growth in the second quarter although currently a number of economic indicators are at record highs. Manufacturers' new orders leveled off in June after a rapid recovery in earlier months. Nonfarm employment in July remained at the June level; unemployment showed a seasonal decline. Automobile purchases picked up substantially in June but showed a seasonal decline in July. Other consumer spending has shown moderate improvement since the recovery began. Industrial production and consumer income both reached new records in July. Construction activity continues strong with sharp gains in housing starts. Government cash payments to the public have exceeded Government receipts since the beginning of the year, contributing to final demand.

President Kennedy signed the Agricultural Act of 1961 on August 8. Under provisions of this Act, acreage allotments for wheat will be reduced by 10 percent from the present 55-million-acre national allotment. Additional voluntary reductions in acreage may also be made and conservation payments will be made for both the 10 percent mandatory cut in acreage and up to 30 percent additional voluntary reductions. Under the authority of the price support provisions of the Act, the Secretary of Agriculture has announced the 1962 national average price support level for 1962 crop wheat at \$2.00 per bushel. The new law also continues the provisions of the 1961 Feed Grain Program into 1962 and extends coverage to barley. In addition, the Act permits extension of marketing orders to a number of new commodities.

Production of farm commodities will probably show a decline this year, the first since 1949. Reductions in crop output due to the drought in the Northern Great Plains and acreage reductions under the 1961 Feed Grain Program will bring about the decrease. Crop conditions as of August 1, indicate total crop output this year nearly 7 percent below 1960. Production of livestock and livestock products is likely to be up about 5 percent and combined output of crops and livestock down about $2\frac{1}{2}$ percent.

The average of prices received by farmers for farm products rose 1 percent from mid-June to mid-July and was slightly above July 1960. The Crop Reporting Board announced that higher prices in July for eggs, milk, and hogs offset price decreases for oranges, cattle, and soybeans. The Department of Agriculture's Index of Prices Paid by Farmers, including Interest, Taxes, and Farm Wage Rates remained unchanged from the month before and less than 1 percent above a year earlier. An increase in farm wage rates during July was offset by declines in other cost items, particularly feeder and replacement livestock.

Cash receipts from farm marketings totaled \$17.1 billion during the first 7 months of this year, $2\frac{1}{2}$ percent above the same period in 1960. A small increase in average prices and an overall increase of about 2 percent in the volume of marketings accounted for the gain in receipts. Cash receipts from livestock and products and from crops each averaged about $2\frac{1}{2}$ percent above the corresponding months of last year.

*** COMMODITY HIGHLIGHTS ***

With hog slaughter this fall coming from the 7 percent larger spring pig crop than a year earlier, prices are likely to average below last fall. Hence, slaughter this fall will be above, and prices below, last fall. Lamb slaughter the rest of this year may be slightly above a year earlier; the seasonal price decline is expected to be smaller than last year.

Cash receipts to farmers for milk in 1961 will likely be about 3 to 4 percent above 1960.

The nation's laying flock on August 1 was slightly above a year earlier and the rate of lay per bird was the same. Monthly egg production for the remainder of this year will likely exceed that of 1960. Broilers to be marketed in the next 10 weeks are expected to be up about 8 percent from last year. The 1961 turkey crop will reflect a 24 percent increase over last year in January-July hatchings.

U. S. shorn wool production in 1961 is estimated at 263.6 million pounds, grease basis, 1 percent less than in 1960.

A new wheat stabilization program is part of the Agricultural Act of 1961. It will go into effect for the 1962 wheat crop if approved by two-thirds of those producers who vote in a referendum on August 24. The new program provides for reduced acreage, strengthened price supports, and payments for diverted acreage.

Production of the four major feed grains this year has been estimated at 131 million tons, down 15 percent from last year's big crop. This estimate was based on conditions as of August 1. The total feed concentrate supply for the 1961-62 year is estimated at 5 percent less than in the 1960-61 year.

Exports of food fats and oils in the 1961-62 marketing year probably will set a new record. However, with a prospective 1961 soybean crop 22 percent larger than last year, a substantial buildup in stocks at the beginning of the 1962-63 year is expected. Stocks of soybeans in October 1961 will be the smallest of recent years.

Supplies of most fresh fruits during late summer will continue larger than a year earlier. As of August 1, total production of deciduous fruits was expected to be about 7 percent above last year.

Prices to growers for fresh vegetables during the next 5 to 6 weeks are likely to average moderately above those of a year earlier. First production estimates for fall potatoes indicate a crop 8 percent greater than last year's large output.

Disappearance of cotton in the United States during the 1961-62 marketing year is expected to be about 14.5 million bales, slightly less than in 1960-61. Exports may be about 850,000 bales below the estimated total of 6.6 million bales last year.

Prices of tobacco on the Georgia-Florida and South Carolina-Border North Carolina markets as of August 16 were averaging about $1\frac{1}{2}$ and nearly 5 cents, respectively, above the comparable figures a year earlier.

GENERAL AGRICULTURAL SITUATION

1961 Farm Output Down
Supplies Still Heavy

Farm output in 1961 will probably be down from the 1960 record; this will be the first decline since 1949. The August Crop Report presented pretty much the same picture as the July Report. Overall crop production will be lower this year than last by close to 7 percent. The 1961 Feed Grain Program and the drought in the Northern Plains States will substantially reduce output of grains. Partial relief from the drought conditions during July increased

prospective crop production slightly over the July estimates. Indicated production of winter wheat has been reduced further and output of all wheat is now estimated at 11 percent below 1960.

Indicated production of feed grains increased during July as favorable weather in the major producing States boosted expected yields of corn to a record 57.3 bushels per acre. Even so, total feed grain output this year will likely be about 15 percent below last year, due chiefly to the reduced acreages of corn and sorghum grains under the 1961 Emergency Feed Grain Program. Cotton production this year will be about $2\frac{1}{2}$ percent below 1960. The soybean crop is estimated at a record 683 million bushels, 22 percent above last year and 18 percent above the previous record in 1958.

Production of livestock and livestock products is expected to be up about 5 percent. A decline in hog slaughter for the year as a whole will be more than offset by gains in marketings of cattle and calves, poultry, and milk. Combined output of crops and livestock will be down about $2\frac{1}{2}$ percent this year, the first drop in farm output in 12 years.

Large Stocks of Wheat and Feed Grains

Food and feed grain production is expected to be down this year from 1960, but current stocks are still large. Quantities of most grains in storage on July 1 were substantially greater than at the same time last year. Stocks of corn and sorghum grains were well above previous record levels. Corn stocks in all hands totaled 2.8 million bushels, more than a tenth above last year's previous record. Sorghum grain stocks of 751 million bushels were nearly a fifth above last year's record. Oat stocks totaled 324 million bushels, 21 percent above last year. Combined feed grains stored on July 1 was at a record 109 million tons, more than a tenth above last year.

Stocks of old-crop wheat on July 1, the beginning of the marketing year for wheat, totaled 1.4 million bushels, establishing a record for the third consecutive year. Stocks were 4 percent higher than last year's production. About 90 percent of wheat stocks are owned by the Government or are under CCC loan. Soybean stocks totaled 94 million bushels, the smallest July 1 amount since 1957. The crop year for cotton began on August 1 and the carryover was estimated at about 7.2 million bales, 400,000 bales below last August and the lowest since 1953.

New Programs for Wheat and Feed Grains

The Agricultural Act of 1961 was signed by the President on August 8. Title I of this Act provides for special programs for the 1962 crops of wheat and feed grains. The wheat program provides for an overall 10 percent reduction in wheat allotments. Provision is also made for voluntary additional reductions up to 30 percent of allotments with special provisions for small

farms. Conservation payments will be made for the acreage reduced under both the mandatory and voluntary reduction provisions. Price support at a level between 75 and 90 percent of parity is provided. The Secretary of Agriculture announced the minimum national average support rate for the 1962 crop at \$2.00 per bushel which is 84.4 percent of the August parity level. Title I also provides for higher penalties on marketing of wheat produced on acreage in excess of allotments. In order for this new wheat program to become effective, it must be approved by two-thirds of wheat producers voting in a referendum on August 24.

The 1962 Feed Grain Program essentially continues the 1961 special program for corn and sorghum grains and extends its coverage to barley. In order to be eligible for price support, barley producers must reduce their barley acreages by 20 percent from the 1959-60 average, devote the diverted acreage to a soil conserving use and not increase their corn and sorghum grain acreages above the 1959-60 average. The Act also provides that the Secretary of Agriculture set the support rate on the 1962 corn crop at not less than 65 percent of parity.

Prices to Farmers Edge Up

Prices received by farmers for all farm products averaged 1 percent higher from mid-June to mid-July. The Department of Agriculture's index of prices received rose to 237 (1910-14=100). Higher prices for hogs, eggs, and milk accounted for most of the gain, offsetting declines in prices of cattle, oranges, and soybeans. Prices in mid-July averaged about the same as in July last year. For the first 7 months of this year prices to farmers averaged less than 1 percent higher than in the same period of 1960.

The index of prices paid by farmers for family living and production items (including interest, taxes and farm wage rates) remained unchanged in mid-July at the mid-June level of 300 (1910-14=100). Farm wage rates rose 1 percent (after adjustment for seasonal factors) but declines in other items were offsetting. Feeder livestock prices dropped 3 percent from mid-June. Prices paid by farmers for feeder cattle and calves fell to the lowest level since last September. Feeder lamb and baby chick prices also declined. Feeder pig prices strengthened somewhat. So far this year the index of prices paid has averaged less than 1 percent higher than in the first 7 months of last year.

The increase in the prices received index in July, together with an unchanged index of prices paid, resulted in a 1 percent increase in the parity ratio to 79 (1910-14=100). This was the same level as last July.

Seven Months Cash Receipts Above Last Year

Cash receipts from farm marketings totaled \$17.1 billion during the first seven months of 1961, $2\frac{1}{2}$ percent above a year earlier. In addition to the small increase in prices, the physical volume of marketings was up about 2 percent.

All of the improvement in cash receipts occurred in the first 3 months of the year, when the record crop production of 1960 was being marketed in volume at relatively attractive prices. From April through July, cash receipts have gradually declined relative to the same months in 1960.

January-July 1961 cash receipts from livestock and livestock products totaled \$10.8 billion and from crops \$6.3 billion, both about $2\frac{1}{2}$ percent above the corresponding period in 1960. Most of the increase was accounted for by the higher prices and larger marketings of hogs and dairy products, larger marketings of corn and higher prices for soybeans and oranges. Sharply lower prices dropped cash receipts from potatoes about one-third from the level for January-July 1960.

Lower prices for livestock and products and smaller marketings of crops indicate a 3 percent drop in July 1961 cash receipts from a year earlier. Total cash receipts are tentatively estimated at \$2.7 billion; livestock and products, \$1.4 billion, and crops, \$1.3 billion.

Food Expenditures Were Higher in 1960

Recent data published by the Department of Commerce reveal that consumer expenditures for food continued to rise in 1960 while the percentage of consumer income spent for food continued to decline. Consumer spending for food increased 2.8 percent last year while retail food prices rose by 1.2 percent. Hence, there was some increase in volume of food purchased. Population rose by only 1.6 percent so that spending per person showed some increase. Data are available for consumer spending for food and alcoholic beverages combined for the first quarter of this year. Combined spending was at an annual rate of \$81.1 billion during January-March compared with a rate of \$80.8 billion in the previous quarter and \$78.9 billion during January-March last year. Retail food store sales in May and June were 2 percent above a year earlier. Data are not yet available on seasonally adjusted sales figures for July but food store sales were up slightly more than the usual amount in May and in June.

The Department of Agriculture's estimate of civilian expenditures for domestically produced farm foods rose a little more than 3 percent in 1960, somewhat more than total expenditures for all foods mentioned above. The cost of marketing domestically produced foods rose a bit less than 3 percent to a figure of \$39.5 billion so that the value at the farm increased by $3\frac{1}{2}$ percent to \$20.7 billion.

Retail food prices eased slightly downward during the first half of the year but averaged more than 2 percent above the first 6 months of 1960. By June, food prices were one-half percent below last December. Food prices will likely show little change in the next few months. Food supplies will continue large into the fall; prospects for a cut in crop output, mostly in grains, will not be a seriously limiting factor on food supplies later in the year. Supplies of livestock products in total are above a year ago and will likely continue higher through the rest of the summer and the fall.

Agricultural Exports

Agricultural exports moved abroad at record volume during the fiscal year ending June 30. At \$4.9 billion, exports were about 9 percent above the previous year.

Roughly three-fifths of these exports received some form of Government assistance. A little over 30 percent moved under PL 480 and the Mutual Security Act. A somewhat smaller proportion represented assisted dollar exports, receiving subsidies in cash or kind, or sold from CCC stocks below domestic market prices (about 1 percent moved under short-term dollar credits.) All wheat and cotton and the major proportion of rice and dairy products were subject to Government assistance. The remaining 40 percent of agricultural exports sold for dollars with no direct Government assistance. In this category are exports of most livestock products, soybeans, tobacco and horticultural products. The proportion of unassisted dollar sales was slightly below the previous year.

Foreign aid in the form of agricultural commodities, or loans, grants and credits of foreign currencies deriving from their sale represented about two-fifths of the aggregate value of gross economic aid extended by the United States during the past year.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

The economic recovery continued into the third quarter of 1961 with economic indicators pointing to new highs in business activity in the July-September period. The pace appeared to have slackened some after the sharp second quarter gains. Activity in the steel and auto industries slowed seasonally; a pickup in both industries is expected by September. Consumer spending still shows little response to a high and rising personal income. Personal income reached a record annual rate of \$421.8 billion in July, 1 percent over June and 4 percent above July of last year. Construction activity continues strong and inventory buildup is underway. Employment changes are still largely seasonal.

Industrial Output
Reaches New High

The Federal Reserve Board's index of industrial production rose to 112 (1957=100) in July, a more than seasonal gain. Industrial production has recovered rapidly from the recession low last February when the index dipped to 102.3. The July advance carried industrial output to a new peak, 2 percent above the previous high reached in May and July 1960, just before the onset of the 1960-61 recession. The gains in recent months have been widespread over industries in manufacturing, mining, and utilities.

Manufacturers' new orders leveled off in June following sharp gains in each of the previous 4 months. The net gain over last January was close to 9 percent. Factory shipments continued to expand, although at a slower pace than in recent months and the backlog of unfilled orders remained unchanged at the May level. Order backlogs at the end of June totaled \$45.7 billion, about \$2 billion below June of last year but one-half billion dollars above the January low.

Steel Activity at Seasonal Low

Steel output rose substantially during the first half of 1961 from the recession lows at the end of 1960. The index of steel production averaged 107.1 (1957-59=100) in June and 98.1 in July compared with the low of 70.8 last December. There is normally a lull in steel mill activity in July and August, when most automobile manufacturers cease production of current models. Steel mill output usually picks up promptly when auto makers begin production of new models. Plans indicate that this will occur in late August, somewhat earlier than in past years.

Production and sales of automobiles in 1961 probably will average substantially below 1960 even with a marked pickup in activity after output of 1962 models gets underway. Passenger car output in the first half of this year was 28 percent below the same period of 1960 while dealers' sales were 15 percent lower. Most of the decline in both output and sales was concentrated in the first quarter with a strong pickup in the second quarter. Sales, particularly, rebounded in the April-June period but output and sales both declined seasonally in July. Along with other consumer durable goods, auto sales were at very low levels in the first 3 months of the year.

Table 1--. Passenger car production, sales, and inventories,
first and second quarters, 1960 and 1961

Item	(Thousands of cars)			
	1960		1961	
	I	II	I	II
	:	:	:	:
Production	: 1,993	1,801	1,196	1,553 ^{1/}
Retail sales	: 1,514	1,739	1,212	1,543
Retail inventories ^{2/}	: 1,019	1,057	934	912

^{1/} Preliminary.

^{2/} As of the end of the quarter.

U. S. Department of Commerce and Ward's Automotive Reports.

Sharp Gain in Housing Starts

New construction outlays rose during July, the fifth consecutive monthly increase. Construction expenditures were at an annual rate of \$58.7 billion after adjustment for seasonal influences, \$0.9 billion above the June rate and 5 percent above the February low point. Most of the push in the construction sector since the business recovery began has been in residential construction outlays. Commercial construction picked up sharply in July after declining since February. Industrial building has shown a decline in each month since January while other types of private construction have registered modest gains. The annual rate of new housing starts, after falling to a level of less than a million units last December, was back up to a rate of more than 1.3 million units by July, an expansion of more than 32 percent over the 6 month period.

Seasonal Job Gain

More Workers on Full Time

The gains in industrial output, construction, and trade since last winter have been accompanied by gains in employment but the increase in jobs has been unsteady and no serious dent has been made in the relatively large number of unemployed. Nonfarm employment in July remained at the June record of 62.0 million while farm employment dropped slightly. Unemployment also registered a seasonal decline in July to 5.1 million, a drop of 440,000 over the month. Most of this decline was attributable to students and recent graduates who entered the labor force in June and had found jobs by mid-July. The number of nonfarm workers on part time for economic reasons declined by 145,000 to a level of 3.0 million, still more than 200,000 above a year earlier. Long-term unemployment (of 15 weeks or more duration) continued at high levels.

The Department of Agriculture reported that 8.4 million persons were at work on farms at the time of its July survey, taken during the week of July 23-29. This was about the same number working on farms as in July of last year. The average number of persons working on farms during the survey weeks of the first 7 months of 1961 was only 1 percent smaller than the farm work force of a year earlier. The $6\frac{1}{2}$ percent decline in crop acreage to be harvested has not significantly reduced the farm work force because most of the acreage cut has been among crops which are highly mechanized. In addition, cotton and tobacco acreages are both up 2 percent from last year.

Moderate Rise in Inventories

Inventory investment picked up by \$100 million in May and again in June after generally declining for more than a year. The recent turnaround has been largely in stocks of new passenger cars in dealers hands; changes in other major groups were generally small and partly offsetting. Automobile inventories may show some decline when the July and August figures become available but are expected to rise again at summer's end when 1962 model production gets underway in volume. The inventory picture aside from autos is one of stability. The value of inventories held by manufacturers, wholesalers, and retailers held relatively steady during March-June, with some small sign of a pickup in stocks

Table 2.--Expenditures for new construction put in place, and new private housing starts, quarterly, 1960 to mid-1961

(Seasonally adjusted annual rates)								
Item	Unit	1960				1961		Percentage change 2nd qtr. 1960 to 2nd qtr. 1961
		I	II	III	IV	I	II	
Total new construction	Mil. dol.	55,013	55,138	55,729	56,094	55,843	56,515	2.5
Private construction,								
total	Mil. dol.	40,080	39,521	39,426	39,488	38,349	39,880	.9
Residential(nonfarm)	Mil. dol.	23,287	22,668	22,433	21,922	20,391	21,882	-3.5
Private housing starts	Thou. units	1,290	1,301	1,224	1,163	1,197	1,280	-1.6
Nonresidential (nonfarm)	Mil. dol.	10,015	10,001	10,075	10,577	11,084	10,659	6.6
Industrial	Mil. dol.	2,693	2,789	2,892	3,020	3,001	2,840	1.8
Commercial	Mil. dol.	4,237	4,073	4,048	4,386	4,804	4,554	11.8
Other	Mil. dol.	3,085	3,139	3,135	3,171	3,279	3,265	4.0
Public construction, total	Mil. dol.	14,933	15,617	16,303	16,606	17,494	16,635	6.5

U. S. Department of Commerce.

Table 3.--Employment and unemployment, January and July 1961, with percentage change

(Seasonally adjusted)					
Item	Unit	January 1961	July 1961	Percent change	
Total employment	Million	64.5	68.5	6.2	
Nonfarm employment	Million	59.8	62.0	3.7	
Unemployment	Million	5.4	5.1	-5.6	
Average duration	Weeks	13.0	16.1	23.8	
15 weeks or longer	Million	1.3	1.6	23.1	
Average weekly hours 1/ 2/	Hours	38.6	40.0	3.6	

1/ Production workers on manufacturing payrolls. 2/ Data relate to the United States without Alaska and Hawaii.

U. S. Department of Labor.

held by nondurables manufacturers and wholesalers. The downward pressure on business activity of the inventory liquidation which persisted throughout the last half of 1960 and into the first 2 months of 1961 appears to have been alleviated.

During the long decline in inventories, sales fell even more rapidly so that stock-sales ratios rose. An upturn in sales of manufacturers and wholesalers in February and March while inventory liquidation continued, lowered the overall business stock-sales ratio to the lowest level since June 1960. The ratio declined further through the second quarter. The low relationship of stocks to sales should lead to a broad demand by businessmen to replenish stocks with any substantial pickup in consumer buying and plant and equipment investment.

Small Pickup in Consumer Spending

Consumer spending has shown somewhat more than seasonal gains in the past 2 months after a disappointing spring. Retail sales slipped in April and, in May, were not quite back up to the March level. Sales picked up slightly in June and July. In July, retail sales were at a level of \$18.1 billion, $1\frac{1}{2}$ percent above the recession low of \$17.8 billion in January. This was less than the improvement in personal income over the same period. Most of the recent sales gains were in consumer durables, particularly automobiles.

Table 4---Retail sales, January, selected months 1961, and percentage change January to July

(Million dollars, seasonally adjusted)					
Group	1961				Percent change January-July
	January	March	May	July	
Total retail sales	17,773	18,127	17,995	18,062	1.6
Durables	5,359	5,547	5,549	5,504	2.7
Automotive group	2,848	3,044	3,105	3,071	7.8
Nondurables	12,414	12,580	12,446	12,558	1.2
Food group	4,563	4,603	4,624	4,637	1.6

Consumer credit outstanding increased by \$396 million during June to \$54.8 billion, \$1.1 billion above a year ago. Installment credit rose by \$100 million after adjustment for seasonal changes. Installment credit extended during June reached \$4.1 billion, aside from seasonal factors, the largest volume extended since last November.

Government Payments Exceed Receipts

Federal Government expenditures in excess of receipts have been a significant factor in the business recovery so far. In the fourth quarter of 1960 Government cash receipts from the public exceeded payments to the public by \$600 million. In the first quarter of this year the situation was sharply reversed; payments to the public exceeded receipts by \$2.3 billion. Net payments to the public totaled \$1.7 billion in the second quarter. Thus, the excess of Federal receipts over expenditures in the first half of this year were at an annual rate of \$8 billion.

Wholesale Prices Decline

The business recovery has not been reflected in any upward price pressures as unutilized capacity is still widespread in American industry. The wholesale price index, at 118.6 (1947-49=100) in July, was a little over 1 percent below its level at the bottom of the recession 5 months earlier. Wholesale prices of farm products and processed foods declined from March to June but showed some slight strengthening in July. Commodities other than those in the farm and food group averaged lower in each month from March to July.

Small Gain in Consumer Prices

The consumer price index rose by 0.2 percent from May to 127.6 (1947-49=100) in June. This was 1 percent above last June and was the largest monthly increase since September 1960. Higher costs of transportation and housing combined with a rise in food prices was responsible for the increase in the index. Prior to this latest rise, consumer prices had been quite stable since last fall.

CURRENT COMMODITY SITUATION

Livestock and Livestock Products

Meat Animals

Currently meat animals are showing some summertime price strength but seasonal declines are in prospect for late summer and fall. Meat production during the next few months will be moderately above year-earlier output due largely to an increase in hog slaughter. Cattle slaughter will likely be up only slightly unless supplies are increased by unusually heavy marketings from Western drought areas. The calf and lamb crops for 1961 are both only one percent larger than last year.

Commercial hog slaughter in the first half of 1961 was 7 percent less than in 1960. This margin narrowed progressively and in May slaughter was above May 1960. Slaughter this summer will likely be a little larger than that of a year earlier as marketings will be mainly from the larger December-February farrowings. Unless producers market hogs unusually early, hog prices stand a good chance of averaging nearly as high this summer as last. With slaughter this fall coming from the 7 percent larger spring pig crop than a year earlier, prices this fall are likely to average below last fall's prices.

The number of cattle and calves on feed July 1 was 2 percent larger than in July 1960. Cattle feeders reported intentions to market 57 percent of the July 1 inventory during July, August, and September. If intentions are carried out and short term feeding is as large as last year, fall marketings of fed cattle would be about 3 percent larger than a year earlier. Fed cattle prices may make some price recovery late this summer or early fall unless depressed by larger marketings of grass cattle from drought areas.

The extent and severity of the current drought in the West is an important factor shaping the outlook for cattle the rest of this year. It is already apparent that marketings of yearlings out of dry areas will be larger than usual this summer and fall. Shortages of roughage in drought areas will tend to limit expansion in breeding herds and may restrict carryover at the end of the year.

Lamb slaughter supplies the rest of this year will come largely from the major producing areas of the North and West. The 1961 lamb crop in these areas was about the same size as in 1960. Continued dry weather would probably lead to larger marketings the rest of this year than last, but the increase over a year before will likely be small. The seasonal price decline this year is expected to be smaller than usual and less than the \$2.30 decline in July-November last year.

Dairy Products

Purchases of dairy products by the CCC for price support from January through July have been equivalent to 5.3 billion pounds of milk compared with 3.0 billion pounds during the same period last year. Milk production is now declining seasonally and offerings of dairy products to the Government are likely to be sharply reduced over the next 4 to 5 months. However, in the last three weeks, CCC purchases were several times as great as in the corresponding period in 1960. Offerings to the Government will continue to exceed the very small quantities of a year earlier for some weeks to come.

Total butter consumption from commercial sources in the first seven months of the year was substantially below the year-earlier level and apparently there has been a significant decrease in milk used for fluid products. The decline in the aggregate quantity of milk used in these consumption categories reflects a sharper downtrend in per capita use than in the previous four years. Because of the steady growth in population the total milk use in these categories between 1956 and 1960 had remained quite stable, even

though use per capita had been steadily drifting lower. This decline in consumption, together with the 756 million pound increase in January-July production, largely explain why there has been such a marked increase in CCC purchases of dairy products. As the year progresses milk production is expected to show some further increase relative to 1960. July output was 2 percent larger than a year earlier; production in the first 7 months of the year was up 1 percent.

Cash receipts to farmers from sale of milk and farm-separated cream were roughly 3 to 4 percent ahead of a year earlier in the first seven months of this year. About half of the increase was due to higher milk prices and the rest resulted primarily from the larger milk production and the shift on the part of farmers from the sale of farm-separated cream to the sale of whole milk. For the year as a whole, cash receipts are also likely to exceed those of 1960 by 3 or 4 percent.

Prices to consumers for dairy products in June were generally higher than a year earlier. Butter was up 3 percent, fluid whole milk was up 2 percent, evaporated milk was up 1 percent and cheese was up 7 percent. Part of the increase in the retail price of cheese was due to a widening of the farm-wholesale marketing margin. In the four months ending in June these products have shown essentially no price change. On the other hand, the price of oleomargarine has been steadily increasing over the 1960 level since January; in June oleomargarine was retailing for 9 percent more than in June 1960. The higher price reflects rising prices of food fats and oils. Over the coming months the large supplies of dairy products are likely to keep prices for dairy products quite stable. Although cheese prices may advance some in response to the recent 0.4 cent increase in the CCC purchase price, they will not repeat the highly unusual, 5-cent per pound, increase of last fall.

In July farmers received \$4.03 per hundredweight for all milk whole-saled, compared with \$3.96 a year earlier. Manufacturing milk prices in mid-July did not reflect the July 18 increases in the CCC purchase prices for cheese and nonfat dry milk. More than a month will be required before the impact of these price increases is fully transmitted to the fluid sector of the market. Adjusted to the annual average fat test, manufacturing milk prices were equivalent to \$3.38 per hundredweight at mid-July, compared with \$3.19 a year ago and the current support level of \$3.40. In the last quarter of the year, manufacturing milk prices may be little different from a year earlier when they averaged \$3.41 per hundredweight, adjusted for fat test.

Eggs and Poultry

Egg prices in July made a sharp recovery from the month before, and at the end of the month were at the highest levels since March. At 34.1 cents per dozen in mid-July, the U. S. average price received by farmers was 3 cents per dozen above the month before, and 2 cents above the preceding July. For the preceding 3 months, egg prices had been below 1960. In the first few days of August, egg prices moved downward, but later recovered.

Although egg production in August is likely to exceed August 1960, production during the month will nevertheless be declining seasonally. The seasonal decline in output helps to explain the price recovery, particularly for grade A large eggs. Grade A large eggs are in the best position to be favored by market changes because hot weather--which will reduce the proportion of eggs saleable in the top grades--is likely to be a factor in possible price rises, and the increased proportion of pullets in this year's flock (compared with last year) is likely to result in a considerable premium for large eggs compared with medium and small.

Egg output will continue to decline seasonally for another month or two. But because of the increased number of pullets started earlier this year, the seasonal tightening of supply will not be as noticeable as last year. In January-April this year, hatchery output of egg-type chicks was 19 percent greater than in 1960. Pullets from those hatches are already in, or about to enter, the Nation's laying flocks, which on August 1 were slightly larger than last year, after running below a year ago until that date. Rate of lay per 100 birds was the same as last year. Monthly egg production for the remainder of 1961 is likely to exceed 1960.

Broiler slaughter in recent weeks--as indicated by slaughter in Federally-inspected plants--averaged about 25 percent above last year, and hatchery and placement reports indicate that the number of birds to be ready for market in the next 10 weeks will be up about 8 percent from last year. These large volumes are despite low prices, which during July were on scattered occasions as low as 10 cents per pound in important Southern producing areas. The U. S. average price in mid-July was 12.6 cents, the lowest since price reporting began in the 1930's. (July 1960 price; 17.7 cents). In early August there was a modest recovery of broiler prices, with the North Georgia "mostly" quotation reaching 13 cents on August 4.

Turkey supplies are also up, and prices low. The 1961 turkey crop will reflect the 24 percent increase from last year in January-July turkey hatchings; slaughter to date in 1961 has been 55 percent above last year, and August 1 storage holdings were 126 million pounds, compared with 71 million the year before. In mid-July, U. S. average prices received by farmers for turkeys were 19.5 cents per pound, lowest of any month since 1942. This compares with 23.2 cents in mid-July 1960.

On July 19, 1961, the Department of Agriculture announced resumption of its earlier program to buy frozen cut-up broilers for school lunches and, on July 31, 1961, a program was announced for the purchase of frozen turkeys. The dried egg purchase program, which had been in operation since February, was discontinued on July 12, 1961.

Wool

The outlook for the world wool industry for the coming marketing year is encouraging. World stocks of raw wool and wool products are relatively low. Prices are firm, with the trade expecting moderate increases in world prices with the opening of the 1961-62 marketing season. World wool production and consumption are at record high levels. Mill activity in most of the

major manufacturing countries is beginning to increase after declining during the latter part of 1960. Technological advances and increased promotional activity may partially offset the increasing inter-fiber competition.

Since late June, domestic sales of wool have been limited because of the low availability of wool, mill vacations, and taking of inventories. Prices for fine wools have been relatively stable at levels higher than a year ago. This strengthening of demand for the finer wools has widened the price differential between the fine and medium grades, which was very narrow during the previous year.

In July, the average price received by growers for shorn wool was 41.3 cents per pound, grease basis, compared with 42.3 cents in June 1961 and 42.4 cents in July 1960. Average prices are not expected to be below a year earlier during the latter part of the 1961-62 marketing season.

U. S. shorn wool production in 1961 is estimated at 263.6 million pounds, grease basis, (118.6 million pounds, clean basis), 1 percent less than in 1960. The number of sheep shorn or to be shorn in 1961 is set at 30,956,000 head, also 1 percent less. The average fleece weight is 8.52 pounds compared with 8.55 pounds in 1960.

Domestic consumption of wool during the first 5 months of 1961 was 13 percent less than the same period a year earlier. Apparel wool domestic use was down 8 percent; carpet wool, 23 percent. During the first 5 months of 1961, mill consumption accounted for 156.7 million pounds; the raw wool content of imports of wool products, 52.9 million pounds; and the raw wool content of exports of wool products, 1.9 million pounds. This was 13 percent and 15 percent less than and 10 percent greater than, respectively, the same period of 1960.

U. S. mill consumption of apparel wool during the first 6 months of 1961 totaled 127.5 million pounds, scoured basis, 3 percent less than in 1960. The seasonally adjusted weekly rate of mill use increased each month, December 1960 through May 1961. In June, it was down from May but still above the rate of a year earlier. Carpet wool mill use during the first 6 months of 1961 amounted to 68.5 million pounds, scoured basis, 20 percent less than in 1960. The seasonally adjusted average weekly rate of mill use, which declined from November through March, increased from April through June. In June 1961, the seasonally adjusted rate was 5 percent above a year earlier and 8 percent above a month earlier.

After 13 consecutive years of increases, world sheep numbers declined during 1960 and early 1961 due mainly to fewer sheep in the USSR, Mainland China, and Southwest Asia. The Foreign Agricultural Service estimated the number of sheep at 976 million head at the beginning of 1961, 4 million head less than a year earlier. The FAS preliminary estimate of 1961-62 world wool production is currently set at a record 5,650 million pounds, grease basis, compared with 5,540 million in 1960-61 and the previous record high of 5,570 million in 1959-60.

World consumption of raw wool in 1960 is estimated by the Commonwealth Economic Committee at a record 3,214 million pounds, clean content, 2 percent

more than the previous high in 1959. Raw wool consumption in the 10 chief consuming countries that report quarterly to C.E.C. totaled 495 million pounds, clean, during the first quarter of 1961, 7 percent less than the first quarter of 1960 and 1 percent more than the fourth quarter of 1960.

Crops

Wheat

The total wheat supply for the marketing year beginning July 1, 1961, is now estimated at 2,619 million bushels, slightly below the record of 2,672 million bushels a year earlier. A 146 million bushel decrease from 1960 in the indicated production more than offset an increase of 93 million bushels in the carryover. The 1961 crop was indicated, as of August 1, at 1,204 million bushels, down from the July estimate of 1,259 million. A reduction in winter wheat prospects more than offset a slight improvement in spring wheat prospects from a month earlier. The carryover July 1, 1961, was placed at 1,407 million bushels and imports may total about the same as the 8 million bushels last year.

Domestic disappearance for 1961-62 is now estimated at about 595 million bushels, slightly below last year because of reduced use of wheat for seed; exports at 675 million would be slightly above the record 662 million in 1960-61. On the basis of these estimates, the carryover on July 1, 1962, would be slightly below the 1961 carryover. This would be the first decline in stocks since 1958.

Wheat prices have advanced from levels of early June, with prices on August 16 of ordinary protein hard wheat at Kansas City up 13 cents and soft red at St. Louis up 19 cents. The price at Kansas City was 4 cents above the effective support price as a result of the strong export demand, recent heavy buying of domestic bakery flour, and the tight holding policy of farmers and country elevators. The price at St. Louis was just at the effective support. Dark northern wheat prices at Minneapolis reached their highs in early July but, with the harvest movement under way, have since declined 9 cents. However, they are still 16 cents above the effective support level, reflecting shortness of the crop. With the very small durum crop, durum prices are sharply higher than other wheats. On August 16 soft wheat prices at Portland were down seasonally from the levels of late July, but still 17 cents above the effective support. Higher 1962 support prices and the recent upsurge in market prices are the reasons for the tight holding of wheat by farmers and country elevators. This, in turn, influences market prices.

If farmers approve wheat marketing quotas in the referendum on August 24, they will have a wheat stabilization program, which is one of the major provisions in the Agricultural Act of 1961. The objectives of the program are: (1) To increase farm income; (2) to reduce excessive buildup of supplies; and (3) to reduce Government storage costs. Program objectives would be achieved through reduced acreage, improved production control, strengthened price support, and payments to farmers who divert wheat acreage to soil conserving uses. If wheat marketing quotas are not approved, there will be no limits on marketings. Price support would be at 50 percent of parity, and would be available to those producers in commercial wheat States planting within acreage allotments.

Marketing quotas will be in effect only if at least two-thirds of the producers voting in the referendum vote "yes". If farmers vote in favor, those who later sign up and participate in the wheat stabilization program will be eligible for price support. On August 9, the Secretary of Agriculture set the minimum national average support price for 1962-crop wheat in the 39 designated commercial producing States at \$2.00 per bushel. This price reflects 84.4 percent of the August 1, 1961 wheat parity price of \$2.37 per bushel. It compares with the 1961-crop support price of \$1.79 per bushel.

The program requires a mandatory 10 percent cut in 1962 from the acreage allotments determined on the basis of a minimum 55 million acre national wheat allotment. The effect will be to reduce the national minimum acreage allotment for the next crop year by $5\frac{1}{2}$ million acres. The program affords an opportunity to wheat producers in the commercial wheat producing area to earn payments for reducing their 1962 wheat acreage.

To be eligible for payment and for price support, farms that produced more than 15 acres of wheat must divert to conservation use the mandatory 10 percent reduction in their allotment. Farms that produced up to 15 acres of wheat may divert from the production of wheat an acreage on the farm equal to 10 percent of the highest actual acreage of wheat planted for harvest in any of the years 1959, 1960 or 1961. This class includes all producers whose actual acreage of wheat planted for harvest in any of the years 1959, 1960 and 1961 did not exceed 15 acres.

In all cases the diverted acreage must be devoted to approved conservation uses, including summer fallow. And, the total acreage on the farm of land devoted to soil conserving uses--excluding the acreage diverted under this program and the acreage diverted under the 1962 program for feed grains--must not be less than the total average acreage of land devoted to conservation uses on the farm in 1959 and 1960.

Conservation payments will be made for diverting wheat acreage to conservation uses. The payment for the original 10 percent diversion will be in cash, or in wheat at the option of the producer if the wheat is available. The payment will be equal to 45 percent of the 1961 basic county support rate for No. 1 wheat (adjusted to reflect any change in the 1962 rate) multiplied by the adjusted yield per acre for the farm, multiplied by the number of diverted acres.

Producers can earn further payments by reducing their wheat acreage up to an additional 30 percent of the farm wheat allotment or, for small farms (farms with allotments of 13.5 acres or less), 30 percent of the smaller of: (a) 13.5 acres or (b) the highest wheat acreage planted on the farm in 1959, 1960 or 1961. The payment for this voluntary diversion would be based on 60 percent of the adjusted yield per acre.

On farms on which there is excess wheat acreage, the amount of wheat subject to a marketing quota penalty would be two times the normal yields of the excess acres; or if the producer can prove to the county ASC committee that his actual yield is less than twice the normal yield the committee has authority to reduce the amount of excess wheat to the actual yield.

The new program increases the penalty rate per bushel on farm marketing excess to 65 percent of parity. The previous law provided a rate equal to 45 percent of parity.

If the Secretary finds that the wheat acreage allotments of farms producing durum wheat are inadequate to provide for a sufficient quantity of durum to satisfy the demand, he has been given authority to increase the durum wheat acreage allotments.

Feed Grains

The total 1961 production of feed grains, based on August 1 conditions, is estimated at 131 million tons, 15 percent below last year's record output. The August estimate of the corn crop, for harvest as grain, is 3,352 million bushels, 6 percent above the July 1 estimate, but 14 percent below the big 1960 crop. A record corn yield of 57.5 bushels per acre is indicated, 13.4 bushels above the 1950-59 average. The sorghum grain crop was estimated at 455 million bushels, 153 million less than in 1960. The oat crop is down 15 percent from last year and the barley crop 14 percent. Smaller production of corn and sorghum grains this year was largely the result of reduction in acreage through farmers' participation in the 1961 Feed Grain Program. The oats and barley crops are down because of drought reduced yields in the Northern Plains.

The total feed concentrate supply for 1961-62 is estimated at 246 million tons, on the basis of August 1 indications, 5 percent less than in 1960-61. This would be the first break in the steady upward trend in supplies that began in 1952. Allowing for a small increase in prospects for grain-consuming livestock, the supply per animal unit is down 6 percent from last year. The 1961 feed grain production is expected to fall somewhat short of our total 1961-62 utilization. This would mean that some grain would need to be withdrawn from the estimated record feed grain carryover of 85 million tons on hand at the beginning of the 1961-62 marketing year.

Feed grain prices rose 3 percent from June to July. In mid-July prices received by farmers averaged about the same as a year earlier. Corn prices have gone up 21 percent since the seasonal low last fall, reaching \$1.05 per bushel, close to the 1960 support of \$1.06. Since the 1961 support of \$1.20 per bushel, is 14 cents above the 1960 support and the crop is much smaller, there probably will be little, if any, seasonal weakness in corn prices this fall and prices will average somewhat higher this fall and winter than in that period of 1960. Sorghum grain prices also will probably average higher in the 1961-62 season than in 1960-61. The smaller 1961 crop and the higher 1961 support level have been major factors in the sharp rise in sorghum grain prices in recent months. Prices received by farmers for oats and barley have strengthened since May and July prices were higher than a year earlier and near the 1961 supports

The strong domestic demand for feed this spring and summer has been a major factor maintaining prices of soybean meal and other protein feeds above those of last year. Soybean meal prices this year have continued higher even though domestic supplies have been the heaviest of record and up 7 percent over last year.

Hay supplies for 1961-62 are a little below last year and also below the 1955-59 average. The 1961 crop, estimated on August 1 at 110 million tons is 7 percent below the big crop last year. The larger carryover of hay on May 1, however, brought the total supply to 134 million tons, only 2 million tons below the 1960-61 supply. The prospective supply per animal unit is slightly below last year and about 4 percent below the 1955-59 average.

The 1962 Feed Grain Program, part of the 1961 Agricultural Act, is basically a continuation of the 1961 program with the exception that it now includes barley along with corn and grain sorghums. In order to be eligible for price support, barley producers must reduce their barley acreage from the 1959-60 average by 20 percent, devote this acreage to a conserving use and not increase their acreage of corn and sorghum grain above the 1959-60 average. Special exemptions are provided for producers of acceptable varieties of malting barley. The level of price support for corn in 1962 is to be set by the Secretary at not less than 65 percent of parity, the same provision as in the 1961 program. The support level for the 1961 crop was announced last March at a level of \$1.20 per bushel, approximately 74 percent of the parity price in that month. Price support for other feed grains will again be related to corn. Payments for acreage retired from production to a conserving use, up to 40 percent of the base, will be made at the same rates as in 1961.

Oilseeds, Fats and Oils

Supplies of edible fats, oils, and oilseeds will set a new record in the 1961-62 marketing year beginning October 1, 1961, based on August 1 indications. They are expected to exceed the current year's 13.9 billion pounds (oil equivalent of oilseeds) by about 1.3 billion pounds or 10 percent. The increase in supply is due almost entirely to the huge 1961 soybean crop in prospect, although lard supplies will be up slightly from a year earlier.

Domestic disappearance of food fats probably will continue to rise in 1961-62 about in line with the population increase. However, since the population increase will require only about 10 percent of the increase in supply, this indicates that the quantities of edible vegetable oils (cottonseed and soybean), lard, and soybeans available for export in 1961-62 would be up sharply from the 3.4 billion pounds expected to be shipped abroad for the marketing year just ending.

The export outlook for food fats and oils in the 1961-62 marketing year is bright, as sales for dollars plus a large P.L. 480 Program for edible oils are expected to result in a peak outward movement. It appears that growing foreign demand probably will absorb a good portion of the increased 1961-62 output of U.S. fats and oils, but a sizable buildup in our year-end stocks on September 30, 1962, likely will occur mainly in the form of soybeans. Starting stocks of soybeans this October 1 are expected to be the smallest of recent years. The actual level of U.S. exports in 1961-62 and carryover stocks hinges in part on crop yields in the U.S., the size of foreign crops (for many of which reliable estimates will not be available until early 1962), and on world political and economic developments.

United States supplies of soybeans during the marketing year commencing October 1, 1961, are estimated at about 690 million bushels, up 105 million bushels from the previous year. Based on August 1 indications, the 1961 soybean crop is placed at a record 683 million bushels, 124 million above last year's crop. Prices to farmers during most of the heavy harvesting season this fall are expected to average close to the support rate of \$2.30 per bushel. Last fall when the support price was \$1.85, the price received by growers averaged about \$2.00 per bushel. Crushings and exports of beans during 1961-62 likely will set new records and probably will require a good part of the increase provided by the 1961 crop, but still leaving end-of-year carryover up sharply.

The 1961 cottonseed crop was indicated as of August 1 at 5,770,000 tons, 2 percent less than last year. A cottonseed crop this size should yield around 1,800 million pounds of crude cotton oil and about 2,500,000 tons of cake and meal. Farm prices for cottonseed are likely to average close to the 1961 loan rate of \$49.00 per ton, basis grade (100), about 15 percent more than received for the 1960 crop.

Lard output in the marketing year beginning October 1, 1961, is expected to rise around 5 percent from the 2,525 million pounds now estimated for the current marketing year. The increase mainly will reflect the rise in hog slaughter due to the upturn in the number of pigs saved in 1961. Lard prices in 1960-61 probably will average somewhat below the year earlier level.

Flaxseed output in 1961 is forecast at 19.4 million bushels, down about 11 million bushels from last year. A flax crop the size of the one indicated would be about equal to domestic requirements for crushing and there would be no exportable surplus from the U. S. in the 1961-62 marketing year. Because of the close balance between supply and demand, prices to flaxseed growers are expected to average somewhat higher than the 1961 support rate of \$2.80 per bushel and well above the \$2.66 received for the 1960 crop.

Fruit

During late summer, supplies of most fresh fruits will continue larger than a year earlier. However, supplies of citrus fruits will be seasonally small until early fall, when new-crop citrus again is harvested. In late July and early August, shipping-point prices for fresh marketing deciduous fruits tended to average above year-earlier levels, while those for citrus tended to average below, especially for small-sized fruit. Demand for some fruits for processing--particularly California clingstone peaches and Bartlett pears, and Great Lakes sour cherries--appears to be stronger than a year ago.

Production prospects for 1961 crop deciduous fruits continued generally favorable in early August. As of August 1, total production of deciduous fruits was expected to be about 7 percent above last year and 8 percent larger than average. Production of major fruits is larger than last year, except for smaller crops of apricots and California dried prunes. Among fruits remaining to be harvested, prospective production of peaches is smaller than last year in the Northeastern States, but larger in some North Central and Western States.

The prune crop in the Pacific Northwest is much larger than the short 1960 crop. Heavier crops of pears and grapes in the Pacific Coast States, and of apples in all regions, are expected.

Prospective production of the four major edible tree nuts--almonds, filberts, pecans, and walnuts--is about 15 percent larger than in 1960 and 31 percent above average. The outlook is for substantial increases this year in almonds, pecans, and filberts, but a small decrease in walnuts.

1961-62 citrus crops made good growth during July in Florida, Texas, Arizona, and Louisiana, but in California condition of the crops fell off sharply. Hot weather and a lack of deep soil moisture hurt the California citrus.

Moderate increases in the 1961-62 packs of dried fruits and canned deciduous fruits are expected. Some increase also seems probable in the new pack of frozen red tart cherries. For most canned and frozen citrus fruits and juices, the summer and early fall months comprise a period during which stocks in storage provide the main volume of supplies. Packers' stocks of Florida frozen orange concentrate, the major item, were moderately larger on August 1, 1961, than a year earlier. Stocks of various other Florida frozen and canned citrus juices also were larger, the principal exception being smaller stocks of canned orange juice.

Commercial Vegetables

For Fresh Market

Supplies of fresh vegetables, excluding melons, available in late summer are expected to be moderately smaller than those of a year earlier. Supplies of cabbage, sweet corn, snap beans and escarole promise to be about the same as last summer, and beets and cucumbers are expected to be moderately larger. But prospective production of late summer tomatoes and celery are down moderately, and late summer onions and carrots down substantially. Summer production of lima beans, cauliflower, lettuce, spinach, eggplant and garlic is also materially smaller than a year ago. During the next 5 to 6 weeks prices received for fresh vegetables, both at the grower and retail levels, are likely to average moderately above those of a year earlier. Supplies of watermelons in late summer are expected to be substantially lighter, and prices somewhat higher than those of a year earlier.

First production estimates indicate about the same early fall cabbage and carrots as last year, but substantially more celery.

For Commercial Processing

Early reports point to a materially larger production of vegetables for commercial processing this year than last. Total production of six vegetables, which typically make up 85 to 90 percent of the tonnage for the 10 crops regularly reported, is estimated at 10 percent above 1960 and a fifth above the 1950-59 average. Production of winter and spring spinach, usually about 80 percent of annual spinach production, was about the same as last year. However, indicated production of snap beans is up 13 percent; green peas, 6 percent; sweet corn, 24 percent; tomatoes, 6 percent; and contract cabbage for kraut, 7 percent.

Although stocks of canned vegetables at the beginning of the current season were moderately smaller than a year earlier, prospects point to a larger pack, and slightly to moderately larger overall supplies than last year. Carry-over stocks of frozen vegetables in mid-1961 were considerably larger than a year earlier. With the prospect for an increased tonnage for freezing, supplies of frozen vegetables in the current marketing year are expected to be materially larger than those of last season.

Potatoes and Sweetpotatoes

Supplies of potatoes during the next few weeks are expected to remain heavy. Late summer production in the East is smaller than a year ago, but output in the West is materially larger.

Heavy supplies of potatoes are resulting in relatively low prices to growers. The Department of Agriculture has initiated a Section 32 Program to buy potatoes in North Carolina, Virginia, Maryland, Alabama and Delaware to help growers with their marketing problems. Through August 11, about 104,000 hundredweight of potatoes had been purchased under the program. The potatoes brought are being distributed to eligible institutions.

First production estimates for fall potatoes indicate a crop of 190 million hundredweight, 8 percent more than the large production of last year.

Early estimates indicate a production of 14.7 million hundredweight of sweetpotatoes in 1961. This is moderately less than was produced last year, the smallest crop since 1881. Production in the South Central States is about the same as last year and production in California is substantially larger. But crops in most of the producing States in the East are materially smaller.

Cotton

Disappearance of cotton in the United States during the 1961-62 marketing year is expected to be about 14.5 million bales, slightly less than in 1960-61. Larger mill consumption is expected, but exports probably will be smaller.

Production from the 1961 crop was estimated at about 13.8 million running bales on August 1, about 0.7 million below estimated disappearance and about 0.4 million smaller than the 1960 crop. The decline in output is being caused by the smallest yield in 4 years--about 427 pounds per harvested acre.

Mill consumption during the 1961-62 season probably will be about 8-3/4 million bales compared with the estimated 8.2 million bales last season. An increase in mill consumption is indicated by rising consumer income and a moderate decline in the ratio of stocks to unfilled orders for cotton broadwoven goods at mills over the past few months.

Exports of cotton in 1961-62 may fall about 850,000 bales below the estimated total of 6.6 million bales last year. Early-season estimates indicate production and consumption in the foreign "free" world in 1961-62 will be at about the 1960-61 levels.

Stocks of cotton held by the Commodity Credit Corporation have been declining in recent months. Such stocks were 5.2 million bales January 1 and declined to about 1.5 million bales on July 28. This sharp reduction, in part, reflects acquisitions from CCC holdings by the trade in anticipation of higher cotton support prices in 1961-62.

Despite declines in both exports and mill consumption during 1960-61 from a year earlier, stocks on August 1, 1961, were reduced again. The carryover of about 7.2 million bales estimated for August 1, 1961, is about 0.4 million bales below a year earlier and the lowest since 1953. The 1961 estimated carryover was only about half the record high of 1956.

Imports of cotton textiles through the first 5 months of 1961 were about 70,800 equivalent bales smaller than imports during the same period a year earlier. Exports in the first 5 months of 1961 were about 4,800 bales larger than in the same months a year earlier. The decline in imports of cotton textiles was probably associated with the U.S. textile recession. The demand abroad for U.S. cotton textiles was firm and exports were maintained at above last year's level.

Registrations under the payment-in-kind program for cotton for export in the 1961-62 marketing year were about 1.4 million bales through August 11, compared with registrations of about 1.0 million bales to approximately the same date a year earlier. Large registrations for delivery in 1961-62 reflect sales for forward delivery made since the announcement of the higher export payment rate for the 1961-62 season.

Cotton acreage for harvest in 1961 was estimated on August 8 at about 16.6 million acres, compared with about 16.1 million a year earlier. Even though acreage allotments totaled about 1.0 million acres more than in 1960, planted acreage increased only about 0.5 million.

The average 14 spot market price for Middling 1-inch cotton in each month from August 1960 to June 1961 was below the average for the same month a year earlier. The July average price of 32.65 cents per pound was 0.66 cent above the average for July 1960. Prices in recent months increased steadily reflecting a movement toward the higher support price effective August 1. On August 16 the 14 spot market price for Middling 1-inch cotton averaged 33.14 cents per pound, compared with 30.65 cents a year earlier.

World production of manmade fibers was at a record level in 1960. Production was equivalent to about 22.1 million bales of cotton, compared with 20.4 million in 1959. This was twice the 1950 level. Of the 1960 total, the equivalent of about 6.3 million bales was produced in the United States.

Tobacco

Marketings of this year's crop of flue-cured tobacco in the Georgia-Florida (type 14) markets have been under way since July 27. Through August 16, 177 million pounds were sold on the type 14 markets at an average of 59.4 cents per pound, 1.6 cents above the comparable figure for a year earlier. The South Carolina--Border North Carolina (type 13) markets opened August 3. About 93 million pounds had been sold on these markets by August 16 at an average of 64.2 cents per pound, 4.9 cents above that for early marketings last year. The general quality of the offerings in both belts was notably better than last year. Tobacco placed under loan through mid-August amounted to about 4 percent of market deliveries. Auctions in the Eastern North Carolina Belt (type 12) began August 22. The Middle Belt (type 11b) and Old Belt (type 11a) usually open the first and second weeks of September.

As of August 1, the flue-cured crop was indicated to be 1,240 million pounds--11 million below last year's crop. Carryover on July 1 was 2,090 million pounds--16 million lower than a year earlier. The 1961-62 total supply--production plus carryover--is about one percent lower than for 1960-61.

Domestic use of flue-cured during the year ended June 30 increased about $3\frac{1}{2}$ percent from a year earlier and was second only to the unusually large 1952-53 figure. During July 1960-June 1961, exports of flue-cured tobacco were 13 percent above the 7 year low of 1959-60 and third largest in 14 years.

The August 1 indication for the burley tobacco crop--the second ranking cigarette tobacco--was 9 percent above last year's harvestings. The August 1 indication for Maryland tobacco was for a crop about 4 percent above the current estimate for 1960 crop.

Indicated production of fire-cured and dark air-cured (including sun-cured) tobacco is up 15 and 12 percent, respectively from last year.

The August 1 indicated production of cigar filler tobacco is up about 2 percent from last year, but the Connecticut Valley binder type outturn will be down about 19 percent. The indicated production of Wisconsin binder tobacco is about the same as last year. The Connecticut Valley and Georgia-Florida production of shade-grown wrapper is likely to be one-tenth lower than in 1960.

In the fiscal year ended June 30, 1961, cigarette output was 518 billion, 2.4 percent above a year earlier and a new high. The output of smoking tobacco at 75 million pounds was up 1.4 percent, but output of chewing tobacco at 65 million pounds and snuff at 34 million pounds was down 2.9 and 4.1 percent, respectively. The 1960-61 shipments of cigars and cigarillos from U. S. and Puerto Rico factories totaled about 6,935 million--practically the same as in 1959-60.

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- 28 -

AUGUST 1961

During fiscal year 1960-61 exports of all types combined at 564 million pounds (farm sales weight) were nearly 11 percent above 1959-60. Flue-cured accounted for about five-sixths of the total. Exports of burley held about even with a year earlier, but exports of Maryland tobacco showed a moderate decline. Exports of fire-cured tobacco were larger than in 1959-60 but exports of the dark air-cured types dropped sharply. Exports of Connecticut Valley shadegrown wrapper and Havana Seed binder exceeded those of the preceding year but there were declines in exports of Georgia-Florida wrapper and cigar filler types.

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